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**DOES FINANCIAL STATEMENT PUBLICATION  
EFFECT STOCK PRICE OF LQ-45  
AT JAKARTA STOCK EXCHANGE**

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**Abstrak:** This article is purposed to know empirically wheather there is difference between stock price before and after the publicizing of financial statement of LQ-45 companies, listing at Jakarta Stock Exchange. Sample and data used in this analysis is all LQ-45 companies and 10 days stock price before and after financial statements are published. The finding shows that six variables such as return on equity, return on investment, price book value, price earning ratio, quick ratio and current ratio have significant and insignificant relationship toward stock price. According to the estimation can be concluded that all of those variables influence stock price 99.5% and however, most investor at Jakarta Stock Exchange are not consider to fundamental and internal factors in decision making process to buy or to sell a stock.

Jel Classification:

**Keywords:** Financial Statement, LQ-45 Stock Price

## 1. Introduction

Basically, financial market appears as a market which needed by investor who wants to invest their money, either in form of short term investment or long term investment. The investors who want to invest their money in short term investment, can be done at Money Market, due to this market the investors can trade financial instruments like: Indonesian Central Bank Certificate, Money Market Certificate, Commercial Papers and others. Meanwhile, Capital Market is a market for some long term instruments like: stock, bond, obligation, option and others, which can be trade either in debt transaction or in self equity form. In Capital Market, the favourite financial instrument for investors is stock; a letter of participation or ownership by individual or group in a firm or limited company.

The Price of stock which is trade in capital market will be always fluctuated, either increase or decrease. This is reflection of bullish or bearish. The changes in stock price actually influence by some informations that relate to that stock. A capital market can be claimed efficient informationally when its securities price able to reflect the relevant information. This information is related to published or unpublished information or external and internal information.

Beever in Chalimah (1997) mentions that the relationship between price and information is called market efficiency. As defined here, a securities market is stated to be efficient with respect to an information system if and only if the price act as if everyone observes the signal from that information system. The content of that statement is that a price of commercial paper describes, as if capital market actors see a message form that information. If a price has the above characteristic hence that price reflects the information system fully.

Furthermore, Guntur (2000) said that financial statement has an effect toward the creation of capital gain (loss) of go public company. Panglung in Wisnu (2000) said that financial statement still viewed as important information for investors in Jakarta Stock Exchange, even though insignificant. However, research result of Chalimah (1997) describes that information of financial statement publication by some public companies toward stock price fluctuation has small effect. It shows that there is a difference in stock price, before and after financial statement is published.

From the above explanation, this paper tries to examine, does company stock price of LQ-45 at Jakarta Stock Exchange of 10 days before and 10 days after publication of financial statement is different?

## 2. Theoretical Background

### 2.1. Capital Market and Investment

According to Ang (1997), capital market is a situation where sales and buyers are able to do negotiation for one commodity and the commodity which can be trade is capital. Meanwhile, according to Fabozzi (1999), capital market is a financial asset instrument with a long term instrument. Tjiptono and Fakhruddin (2001) mention that capital market is a market for various long term financial instrument which able to be exchange; either in money or self equity. Meanwhile, according to Capital Market Law No. 8 Year 1995, capital market is an activity which relate to general supply and public company stock trading and link with stock offering, agencies and profession which relate with stock.

In other side, according to Foster (1986), investment is an activity to set up money or other capital in enhance to get value added or specific dividend from that money or other capital. Or according to Jogiyanto (2000), investment is a delaying of current consumption for using in efficient production for a certain period. The aims of making investment are (i). To get a better live in the future; (ii). To decrease an inflation pressure ; and (iii). As a motivation to safe taxation.

### 2.2. Financial Statement as a Source of Information and Stock Price Determination

Generally, financial statement is a product of an accounting process which can be used as a tool for communication with some stakeholders who or whom having an interest with the gain from company activities and furthermore served as a basic of decision making for financial statement users.

In making a framework and serving of financial statement, stated that the users of financial statement are: actual and potential investors, employees, debtors, suppliers and other creditors, customers, government, other agencies and societies. They use financial statement to fulfill some differences information and goals.

There are two approaches which can be used in making investment and stock price determination at capital market that are fundamental and technical approach. A fundamental approach is based on some information that published by emiten and by administrator of stock exchange, while a technical approach is based on data (changes) of stock price in the past as an effort to estimate the stock price in the future.

#### 1. Fundamental Analysis

According to Investor Guide.com (2005) Fundamental analysis is a method used to determine the value of the stock by analyzing the financial data that in

'fundamental' to the company. It means that fundamental analyst takes into consideration only those variables that are directly related to the company itself, such as its earnings, its dividends, its sales and its payout ratio (see also Urip, 1990; Person and Harvey, 1997; Jones, 2002; Cao, 2000; Yong, 1996; or Balked and Wohar, 1999).

## 2. Tehcnical Analysis

According to Ang (1997), technical analysis is a study which done to learn some factors which influence in capital market and its effect to stock price. This analyse called as *Market Analysis*. Meanwhile according to Urip (1990), basic assumption from technical analyze are: (i). Market value is determined just only by demand and supply; (ii). Supply and demand is influenced by some factors, either rational or irrational factors; (iii). Stock price tends to move in a fix trend for a long term; (iv). The changing in trend is caused by the movement of supply and demand; (v). The movement of supply and demand (without consider its causal factor) known early or lastly in market movement diagram; and (vi). Some diagrams tend exist repeatedly.

As explain in the previous paragraph, financial statement analysis are part of fundamental analyze and to analyze the performance of a company. It can be done through financial ratio, which can be devided in to four ratio groups: liquidity ratio, activity ratio, debt ratio, and profitability ratio (Husnan 1998). By that analysis, scholars try to predict the future stock price with estimation the value of fundamental factors which effect stock price in the future and implement the relationship between all factors hence can be obtained the stock price estimation. Fundamental factors which generally examined by scholars are: Intrinsic Value, Market Value, Return On Total Assets (ROA), Return On Investment (ROI), Return On Equity (ROE), Price Book Value (PBV), Debt Equity Ratio (DER), Devidend Earning, Price Earning Ratio (PER), Devidend Payout Ratio (DPR), Devidend Yield, and Stock Liquidity.

## 3. Research Method

### 3.1. Operational Definition

In this paper, there are two variables: financial statement publication as *independent variable* and stock price as *dependent variabel*. Definition of those variables as follow: (i). Financial Statement Publication is yearly financial statement publication which published at first semester year 2005 by companies which included in LQ-45 group index; and (ii). Stock price is closing price/day, which owned by companies which included in LQ-45 group index at a time of their financial statement is published.

### 3.2. Population and Sample

Sample of this paper is the whole population of companies' stock price which listed in Jakarta Stock Exchange and known as LQ-45 stock index. Names of those companies can be seen in table 1.

**Table 1.**  
**Company Names Listed in LQ - 45 Index**  
**Period of August2003 - January2004**

No	Kode perusahaan	Nama perusahaan
1	AALI	Astra Agro Lestari Tbk
2	ANTM	Aneka tambang (Persero) Tbk
3	APEX	Apexindo Pratama Duta Tbk
4	ASGR	Astra Graphia Tbk
5	ASII	Astra Internasional Tbk
6	AUTO	Astra Otopart Tbk
7	BBCA	Bank Central Asia Tbk
8	BBNI	Bank Negara Indonesia Tbk
9	BKSW	Bank Kesawan Tbk
10	BMTR	Bimantara Citra Tbk
11	CMNP	Citra Marga Nusaphala Persada Tbk
12	DNKS	Dankos Laboratories Tbk
13	DYNA	Dynaplast Tbk
14	GGRM	Gudang Garam Tbk
15	GJTL	Gajah Tunggal Tbk
16	HMSP	HM Sempurna Tbk
17	IDSR	Indosiar Visual Mandiri Tbk
18	INAF	Indofarma Tbk
19	INCO	International Nickel Ind Tbk
20	INDF	Indofood Sukses Makmur Tbk
21	INDR	Indofarma Syntetic Tbk
22	INKP	Indah Kiat Pulp & Paper Tbk
23	INTP	Indocement Tunggal Prakasa Tbk
24	ISAT	Indosat Tbk
25	JIHD	Jakarta International Hotel & Dev Tbk
26	KAEF	Kimia Farma Tbk
27	KLBF	Kalbe Farma Tbk
28	LMAS	Limas Stokhofindo Tbk
29	MEDC	Medco Energi international Tbk
30	MLPL	Multipolar Tbk
31	MPPA	Matahari Putra Prima Tbk
32	NISP	Bank NISP Tbk
33	PNBN	Bank Pan Indonesia Tbk
34	PTBA	Tambang Batubara Bukit Asam Tbk
35	RALS	Ramayana Lestari Sentosa Tbk
36	RMBA	Bentoel Internasional Investama Tbk
37	SCMA	Surya Citra Media Tbk
38	SMCB	Semen Cibinong Tbk
39	SMGR	Semen Gresik (persero) Tbk
40	TINS	Timah Tbk
41	TKIM	Pabrik Kertas Tjiwi Kimia Tbk
42	TLKM	Telekomunikasi Indonesia Tbk
43	TSPC	Tempo Scan Pasific Tbk
44	UNTR	United Tractors Tbk
45	UNVR	Unilever Indonesia Tbk

Source: Jakarta Stock Exchange (<http://www.jsx.co.id>)

### 3.3. Data Collection and AnalysisTechnique

This paper uses secondary data that browsed from website of *Jakarta Stock Exchange* ([http:// www.jsx.co.id](http://www.jsx.co.id)). Others data also collected from some journals and books that relate to this paper. Before we make estimation, firstly, we run unit root test through heterocedasticity, normality and autocorrelation test. This test is aim to get unbias result. Base on the limitation of data, we exclude some

variables such as : Intrinsic Value, Market Value, Return on Total Assets, Debt Equity Ratio, Devidend Earning, Devidend Payout Ratio, Devidend Yield and Stock Liquidity from our model but we include Quick Ratio and Current Ratio as other proxies of Financial Statement. So, our model can be formulated as follow:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \mu$$

Where is:

Y= Stock price

$\alpha$ = Constanta

$X_1$ = Return On Equity (ROE)

$X_2$ = Return On Investment (ROI),

$X_3$ = Price Book Value (PBV),

$X_4$ = Price Earning Ratio (PER),

$X_5$ = Quick Ratio (QR),

$X_6$ = Current Ratio (CR)

$\mu$ = Error term

$\beta_1.. \beta_6$ = Correlation Coefficient

#### 4. Result Analysis

In verifying the effect of financial statement publication on stock price, we run a multiple regression model. The using of that model is to examine the effect of independent variables toward dependent variable, partially and simultaneously. Before we run the estimation, as usual in having a BLUE (Best Linier Unbiased Estimator) we also do classical assumption test, such as: heteroscedasticity, normality, and autocorrelation test.

##### 4.1. Heterocedasticity Test

An important assumption of the classical linier regression model is that the disturbances  $\mu_1$  appearing in the population regression function are homocedastic: that is, they all have the same variance (Gujarati 2003:387). How does one know that heteroscedasticity is present? There are two rules of thumb; informal and formal method. In this case we use informal method through Scatter Plott Diagram. If Scatter Plott exhibits any systematic pattern, heteroscedasticity is present. In our research data, there is no systematic pattern, hence heteroscedasticity isn't present (see figure 1 below).

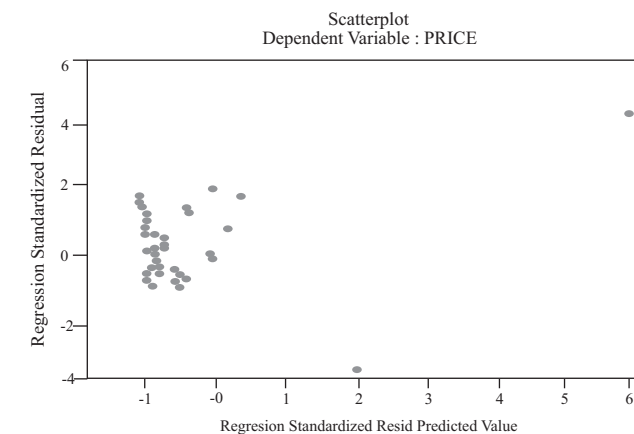


Figure 1. Scatter Plott Diagram for Heteroscedasticity

##### 4.2. Autocorrelation Test

The term autocorrelation may be defined as correlation between members of series of observation ordered in time (as in time series data) (see Kendall and Bucland in Gujarati, 2003:442). The most celebrated test for detecting serial correlation is that developed by statistician Durbin and Watson and popularly known as the Durbin-Watson d statistic (Gujarati 2003:467). We also use Durbin-Watson (DW) test in this paper. If DW value closer to 2, can be said there is no present autocorrelation. DW value in our model is 1.799, so there is no autocorrelation in our model (see table 2).

Table 2. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistic					Durbin - Waston
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.997 (a)		.994	479.41011	.995	1205.489	6	38	.000	1.799

##### 4.3. Normality Test

The next test is Normality Test. Normality test is aim to find out whether the error term follows the normal distribution. There are a few tests of normality, among others: (i). Histogram of residuals; (ii). Normal probability Plot (NPP) a graphical device; and (iii). The Jarque-Bera test.

In our paper, we only use Histogram. The information is given in figure 2 below shows that the residuals from the regression seem to be symmetrically distributed.

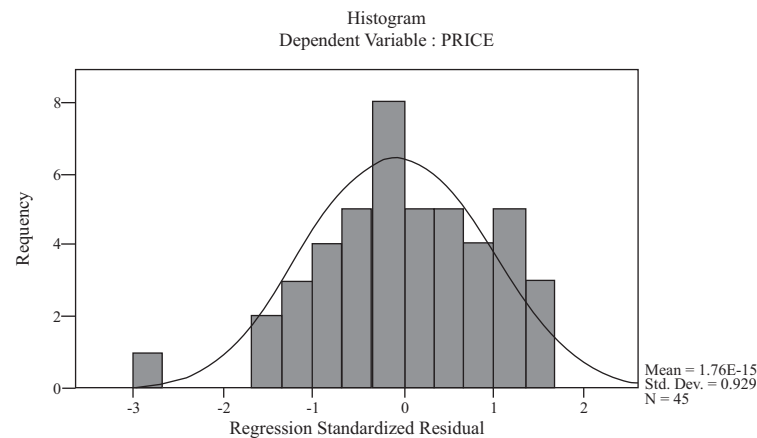


Figure 2. Histogram Graphic of Normality

#### 4.4. Regression Result Analysis

Base on the classical assumption test, can be said that multiple regression model has fulfill all OLS (Ordinary Least Square) classical model. The regression result can be seen in table 3.

Table 3. Output of Regression Model Coefficients(a)

Model		Standardized Coefficients		Unstandardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-543.527	229.384		-2.370	.023
	ROE	-36.505	8.225	-.195	-4.438	.000
	ROI	16.443	15.294	.040	1.075	.289
	PBV	-500.973	112.252	-.215	-4.463	.000
	PER	130.258	17.928	.371	7.266	.000
	QR	4530.996	287.863	1.342	15.740	.000
	CR	-1150.574	389.762	-.388	-2.952	.005

a Dependent Variable: PRICE

Hence, base on table 3, we can write our regression result as follow:

$$Y = -543.527 + 36.505X_1 + 16.443X_2 + 500.973X_3 + 130.258X_4 + 4530.996X_5 - 1150.574X_6$$

From the above regression equation, can be seen that ROE, PBV and CR have a negative relationship with stock price. Meanwhile, others have a positive relationship with stock price. Also from table 3, can be conclude that ROE, PBV, PER, QR and CR have a significant effect toward stock price and ROI has no significant effect toward stock price. To examine the significancy of the six independent variables toward stock price simultaneously, we test the regression

equation through research hypotesis test, at  $\alpha = 0,05$ . The result is significant (see Table 4).

Table 4.  
Output of Hyphotesis with F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1662374103.702	6	277062350.617	1205.489	.000(a)
	Residual	8733694.070	38	229834.054		
	Total	1671107797.772	44			

Furthermore, from table 5, can be conclude that the value of determination coefficient ( $R^2$ ) of regression equation equal 99.5%. Its mean that only 0.5%, stock price in this research influenced by other variables.

Table 5.  
Output of Determination Coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Dur bin Wat son
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.997(a)	.995	.994	479.41011	.995	1205.489	6	38	.000	1.599

a Predictors: (Constant), CR, ROI, PER, ROE, PBV, QR

b Dependent Variable: PRICE

#### 5. Conclusion and Suggestion

This reasearch aims to know the effect of financial report toward stock price, before and after publication. Base on our regression analysis in previous section, we can conclusion that: (i). All independent variables except ROI, have significant effect toward stock price, with determination coefficient 99.5%. It's mean that only 0.5%, stock price affected by other variables; (ii). Publication of financial report is not affect stock price absolutely. It can be seen from the negative coefficien of ROE, PBV and CR toward stock price. Positive coefficient is given only by ROI and PER and QR; and (iii). Eventhough, all independent variables have a significant effect toward stock price, other external determinant factors such as like business growth, political situation and national and global economic activities must be considered.

For further research, we try to give some suggestion as follow: (i). For the next researcher, to be including not just only the difference between stock price before and afer publication of financial report, but also such indicator like: stock sales growth rate, dividend and others; (ii). For investors, in case of decision making, not just base on financial report but also from others factor that significantly influence the storck price, like the time when to be buying or when to be selling.

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